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USTR FOR JASON BUNTIN
USDOC FOR TYLER HOFFMAN

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TAGS: [ECON](#) [ETRD](#) [KIPR](#) [PGOV](#) [SA](#)
SUBJECT: SAUDI ARABIA: MICROSOFT GM'S TAKE ON IPR
ENFORCEMENT

REF: STATE 107629

Classified By: Economic Counselor Robert B. Murphy
for reasons 1.4 (b) and (d).

¶1. (SBU) SUMMARY. Khaled al-Dhaher, General Manager of Microsoft in Saudi Arabia, shared his perception of intellectual property rights (IPR) enforcement in the Kingdom during a meeting on November 20, 2007. Al-Dhaher identified three major areas of concern: (a) the failure of the SAG to license most of the Microsoft software it uses, (b) the failure of the SAG to impose deterrent penalties, such as harsh fines and even imprisonment, on IPR violators, and (c) the lack of transparency of the workings of the Violations Review Committee (reftel). He also expressed his opinion that IPR enforcement problems persist in Saudi Arabia because the working-level officials charged with enforcing IPR do not consider IPR violations to be crimes. END SUMMARY.

Legalization, Deterrent Penalties and Transparency

¶2. (C) Khaled al-Dhaher, General Manager of Microsoft in Saudi Arabia, identified three major areas of concern with the enforcement of intellectual property rights (IPR) in the Kingdom during a meeting with Emboffs on November 20, 2007. The first of these areas is the failure of the SAG to license most of the Microsoft software it uses. Al-Dhaher reports that Bill Gates raised this issue with King Abdullah when he visited Saudi Arabia in November 2006. The King agreed to resolve the problem, and al-Dhaher says that the King personally contacted the Saudi Arabian General Investment Authority (SAGIA) to emphasize that legalization should be accomplished. While al-Dhaher believes that SAGIA has been Microsoft's "champion" on this issue, the push for legalization has enjoyed only modest success. Al-Dhaher estimates that the SAG uses about 500,000 PCs with Microsoft software, but has licensed only 25,000 of those computers. The Ministry of Interior recently licensed Microsoft software for 7,000 of its estimated 50-70,000 PCs, while the Ministry of Culture and Information (the ministry to which the Violations Review Committee (VRC) is attached) licensed software for 3,000 of its PCs several months ago. Al-Dhaher believes that legalization problems persist for bureaucratic and budgetary reasons, and suggests that the SAG designate funds for all ministries to use to legalize rather than addressing the issue ministry by ministry or pooling the ministries' technology budgets together.

¶3. (SBU) Al-Dhaher believes that the imposition of deterrent penalties would enhance the enforcement of IPR in the Kingdom. The VRC, which reviews all copyright cases, is

authorized to impose fines up to 100,000 SAR (USD 26,666). The Board of Grievances, the court of appeal for cases heard by the VRC, can impose fines up to 250,000 SAR (USD 66,666) and sentence a defendant to prison. However, the highest fine al-Dhaheer is aware of having been levied against an IPR violator is 12,000 SAR (USD 3,200), and he is not aware of any case that has been appealed from the VRC to the Board of Grievances. Al-Dhaheer believes that imposing significant penalties in just one IPR case would serve as an effective deterrent example.

14. (SBU) Al-Dhaheer echoes long-reported complaints regarding the lack of transparency of the workings of the VRC. However, he is encouraged by the initiative and openness shown by the new head of the VRC, Rafik al-Akeeli. Al-Dhaheer says that the VRC has heard more cases in the two months since al-Akeeli has been in charge than it heard in the previous year. Al-Akeeli also recently met with Microsoft representatives for two hours. Given the general difficulty industry has consulting with the SAG, al-Akeeli's willingness to meet with Microsoft was viewed very favorably by al-Dhaheer.

Persistence of Problems with IPR Enforcement

15. (C) Emboffs asked al-Dhaheer reasons he believes the SAG is not better addressing these areas of concern. Al-Dhaheer does not think that corruption is significant, and only partly blames bureaucratic roadblocks and lack of capacity for insufficient progress. He believes the root cause is that many officials charged with enforcing IPR do not really believe that IPR violations are criminal acts. Al-Dhaheer suggests that this might be because IPR violations seem like

victimless offenses, or that violations are not viewed as significant because the stakeholder is a wealthy, non-Muslim business. He fears that this perception persists despite industry having secured an official Saudi fatwa (religious ruling) that IPR violations are violations of Muslim law.
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